

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 IO-13 ERDA-05 AID-05 CEA-01

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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

XMB-02 OPIC-03 PRS-01 PA-01 AGRE-00 ITC-01 /122 W

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FM AMEMBASSY BELGRADE

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INFO SECSTATE WASHDC 8814

AMEMBASSY BUCHAREST

AMCONSUL ZAGREB

USDOC WASHDC

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BUDAPEST FOR BACHMANN

EO 11652: NA

TAGS: OTRA OVIP (RICHARDSON, ELLIOTT L.)

SUBJ: VISIT OF SECRETARY RICHARDSON TO YUGOSLAVIA: PRESS -
PRIVREDNI PREGLED INTERVIEW

1. FOLLOWING ARE QUESTIONS POSED BY PRIVREDNI PREGLED AND
ANSWERS PROPOSED BY EMBASSY. WOULD APPRECIATE REACTION BY
IMMEDIATE CABLE IF POSSIBLE OR UPON ARRIVAL OF SECRETARY
RICHARDSON'S PARTY.

2. QUESTION NO 1: HOW DO YOU EVALUATE US/YUGOSLAV ECONOMIC
RELATIONS IN GENERAL AND WHERE DO YOU SEE POSSIBILITIES OF THEIR
FURTHER DEVELOPMENT?

ANSWER: US/YUGOSLAV ECONOMIC RELATIONS CONTINUE TO DEVELOP
FAVORABLY ON MANY LEVELS. IT SEEMS CERTAIN THAT BOTH TOTAL TRADE

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AND YUGOSLAV EXPORTS TO THE UNITED STATES WILL BE AT AN ALL-

TIME HIGH IN 1976. THROUGH THE FIRST NINE MONTHS OF THE YEAR, THIS TRADE AMOUNTED TO \$570 MILLION WITH YUGOSLAVIA HAVING A SLIGHT SURPLUS. THE SIGNING AND REGISTRATION OF THE DOW CHEMICAL-INA JOINT VENTURE, POTENTIALLY THE LARGEST FOREIGN INVESTMENT IN YUGOSLAVIA TO DATE, ILLUSTRATES THE POTENTIAL FOR SIMILAR INVESTMENTS IN THE FUTURE.

THE ESTABLISHMENT AND CONTINUED GROWTH OF THE US/YUGOSLAV ECONOMIC COUNCIL OF U.S. COMPANIES AND ITS COUNTERPART ORGANIZATION OF YUGOSLAV ENTERPRISES IS INDICATIVE OF THE INTEREST BOTH SIDES HAVE SHOWN FOR INCREASING ECONOMIC TIES. OVER 130 U.S. FIRMS HAVE BECOME MEMBERS OF THE U.S. COUNCIL SINCE ITS FOUNDING IN 1974. THE PERMANENT STAFF IN THE UNITED STATES HAS DONE MUCH TO ASSIST MEMBER FIRMS WITH BUSINESS CONTACTS, TRADE OPPORTUNITIES, AND INFORMATION SERVICES. A CONTINUED EXPANSION OF THESE SERVICES, NOT ONLY IN THE U.S., BUT BY THE COUNTERPART YUGOSLAV ORGANIZATION AS WELL, IS A REAL KEY TO INCREASED ECONOMIC TIES.

AS YOUR BUSINESSMEN LEARN THE METHODS OF DOING BUSINESS IN THE UNITED STATES AND OUR BUSINESSMEN DO THE SAME IN YOUR COUNTRY, TRADE AND INVESTMENT SHOULD CONTINUE TO GROW. I KNOW SEVERAL

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TIONAL JOINT-VENTURE NEGOTIATIONS ARE UNDERWAY AND THE NEW FOREIGN INVESTMENT LAW WHICH IS BEING CONSIDERED IN YUGOSLAVIA IS AWAITED WITH MUCH INTEREST IN BOTH COUNTRIES. IT IS OUR HOPE THAT THIS LEGISLATION WILL ALLOW FOREIGN FIRMS THE FLEXIBILITY TO JUSTIFY CONTINUED INVESTMENT. THE RECENTLY PASSED FIVE YEAR DEVELOPMENT PLAN FOR YUGOSLAVIA PLACES PRIORITY IN SEVERAL AREAS WHERE U.S. PRODUCTS AND TECHNOLOGY, IN MY OPINION, ARE EXTREMELY COMPETITIVE AND WHERE U.S. SUPPLIERS HAVE EXCELLENT SALES OPPORTUNITIES. I WOULD HOPE THAT U.S. FIRMS, HOPING TO DO BUSINESS IN YUGOSLAVIA, WOULD BE PERMITTED TO OPEN SALES OFFICES SIMILAR TO THOSE CURRENTLY ENJOYED BY YUGOSLAV BUSINESSMEN IN THE UNITED STATES. THE U.S. GENERALIZED SYSTEM OF PREFERENCES OFFERS TO YUGOSLAV SUPPLIERS AN EQUALLY ATTRACTIVE OPPORTUNITY FOR INCREASED SALES. LIBERAL CONDITIONS FOR TRADE WOULD BE BENEFICIAL TO BOTH COUNTRIES.

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ONE FURTHER AREA WHICH IS ONLY BEGINNING TO BE EXPLORED IS COOPERATION BETWEEN U.S. AND YUGOSLAV ENTERPRISES IN THIRD COUNTRIES. SEVERAL OF YOUR CONSTRUCTION ENTERPRISES AND MANUFACTURERS ARE ACTIVE THROUGHOUT THE WORLD AND HAVE EARNED EXCELLENT REPUTATIONS FOR THEIR WORK. I BELIEVE OUR TECHNOLOGY, CAPITAL EQUIPMENT AND CONSTRUCTION FIRMS, ARE EQUALLY WELL RESPECTED. COMBINING THESE STRENGTHS COULD LEAD TO RESULTS GREATER THAN EITHER

COUNTRY COULD HOPE TO ACHIEVE INDIVIDUALLY AND WOULD LEAD TO INCREASED BUSINESS ACTIVITY FOR BOTH.

3. QUESTION NO. 2: WHAT RESULTS HAVE BEEN ACHIEVED SO FAR BY THE APPLICATION OF THE GENERALIZED SYSTEM OF PREFERENCES (GSP) IN THE U.S.? DO YOU SEE A POSSIBILITY FOR THE SCHEME TO BE IMPROVED BY INCLUDING NEW ARTICLES THUS FACILITATING EXPORTS TO THE U.S. BY THE DEVELOPING COUNTRIES, INCLUDING YUGOSLAVIA?

ANSWER: THE U.S. GENERALIZED SYSTEM OF PREFERENCES HAS BEEN IN EFFECT FOR LESS THAN ONE YEAR, BUT ITS SUCCESS IS CLEARLY EVIDENT. YUGOSLAVIA, IN FACT, IS ONE OF THE BEST EXAMPLES OF THE POTENTIAL IT HAS FOR INCREASING THE COMPETITIVENESS OF BENEFICIARY COUNTRIES IN THE U.S. MARKET. EXPORTS TO THE U.S. FROM YUGOSLAVIA DURING THE FIRST YEAR UNDER THE GSP WILL UNDOUBTEDLY BE AT AN ALL-TIME HIGH. THROUGH SEPTEMBER OF THIS YEAR THESE EXPORTS TOTALLED \$288 MILLION, 53 PERCENT HIGHER THAN THE SIMILAR PERIOD LAST YEAR, AND THE GSP WAS UNDOUBTEDLY A MAJOR FACTOR IN THIS INCREASE.

WHILE PRODUCTS ARE ADDED TO AND REMOVED FROM THE LIST COVERED BY THE GSP AT REGULAR INTERVALS FOLLOWING A DETERMINATION AS TO THEIR SUITABILITY AND ELIGIBILITY, I BELIEVE THAT THE SCOPE OF THE U.S. SYSTEM IS CURRENTLY BROAD ENOUGH TO ALLOW ALL BENEFICIARY COUNTRIES A TRULY SIGNIFICANT OPPORTUNITY FOR CONTINUED INCREASE IN TRADE WITH THE U.S. ALMOST HALF OF ALL PRODUCTS ON THE U.S. TARIFF SCHEDULE, OVER 2700 IN TOTAL, ARE NOW ELIGIBLE FOR GSP TREATMENT. THIS INCLUDES 43 PERCENT OF THE VALUE OF ALL IMPORTS FROM BENEFICIARY COUNTRIES IN 1974 AND

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ACTION EB-07

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COVERS IMPORTS TO THE U.S. IN THAT YEAR WITH A TOTAL VALUE
OF \$25 BILLION.

4. QUESTION NO. 3: THE PARIS CONFERENCE ON ECONOMIC COOPERATION HAS ENTERED ITS FINAL PHASE, WHAT RESULTS, ACCORDING TO YOUR OPINION, SHOULD BE EXPECTED?

ANSWER: I THINK IT WOULD BE USEFUL TO GO BACK AND LOOK AT THE BIRTH OF THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION. AS YOU REMEMBER, THE INDUSTRIALIZED NATIONS' IDEA WAS TO HAVE A CONFERENCE PURELY ON THE ENERGY QUESTION. THE LESS-DEVELOPED OIL PRODUCERS AND CONSUMERS WANTED TO DEAL WITH NON-ENERGY MATTERS ALSO AND THE PREPARATORY MEETING IN APRIL 1975 FAILED BECAUSE OF THIS DISAGREEMENT. IN MAY OF 1975 SECRETARY OF STATE KISSINGER AUTHORED A PROPOSAL THAT WAS ACCEPTABLE TO ALL. HE SUGGESTED SEPARATE FUNCTIONAL COMMISSIONS TO DEAL WITH ENERGY AND OTHER NORTH-SOUTH ISSUES SIMULTANEOUSLY AND THE LIMITED OFFICIAL USE

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FOUR COMMISSIONS MET FOR THE FIRST TIME ON FEB 11, 1976. IN THE ENERGY COMMISSION THE U.S. HAS TWO MAIN OBJECTIVES. (1) WE WANT THE COMMISSION TO ANALYZE THE RELATIONSHIPS OF ENERGY SUPPLY, DEMAND AND PRICES TO WORLD ECONOMIC DEVELOPMENT AND GLOBAL RELIEF OF ECONOMIC PROBLEMS. THIS ANALYTICAL WORK DEMONSTRATES THAT THE INTERESTS OF BOTH CONSUMERS AND PRODUCERS WILL BEST BE SERVED BY A STABLE AND SECURE SUPPLY OF ENERGY AT REASONABLE PRICES. (2) THE ENERGY COMMISSION SHOULD PROMOTE COOPERATIVE ENDEAVORS AMONG PRODUCERS AND CONSUMERS TO DEVELOP NEW ENERGY SUPPLIES. WE WOULD ALSO LIKE TO SEE THE ENERGY COMMISSION CONSIDER WAYS IN WHICH ENERGY PRODUCER COUNTRY ECONOMIES CAN BE INTEGRATED INTO THE WORLD ECONOMY AND HOW THE TRANSFER OF ENERGY-RELATED TECHNOLOGY TO NON-OIL PRODUCERS CAN BE AIDED.

THE RAW MATERIALS COMMISSION NEEDS TO WORK TOWARD PROVIDING STABLE, LONG-TERM SUPPLIES OF RAW MATERIALS AT PRICES WHICH ARE REMUNERATIVE TO PRODUCERS AND FAIR TO CONSUMERS.

THE DEVELOPMENT COMMISSION'S JOB IS TO FIND WAYS TO ACCELERATE ECONOMIC DEVELOPMENT, ESPECIALLY IN THE POOREST NATIONS. INDUSTRIAL NATIONS AND THE WEALTHY OIL PRODUCERS MUST FUND A FRAME WORK TO PROVIDE THE FINANCIAL SUPPORT FOR THE DEVELOPMENT INITIATIVES PROPOSED AT THE SEVENTH SPECIAL UN SESSION. THIS COMMISSION ALSO HAS A RESPONSIBILITY TO EXAMINE THE LARGE BALANCE OF PAYMENTS DEFICITS OF THE NON-OIL PRODUCERS.

THE FINANCE COMMISSION DEALS WITH THE FINANCIAL PROBLEMS RELATING TO THE WORK OF THE OTHER THREE COMMISSIONS AND ALSO WITH ISSUES SUCH AS THE GLOBAL BALANCE OF PAYMENTS AND CONDITIONS FOR INTERNATIONAL INVESTMENT.

THOSE LESS-DEVELOPED COUNTRIES WHICH ARE NOT FORTUNATE ENOUGH TO PRODUCE OIL HAVE INCREASED THEIR EXTERNAL DEBT CONSIDERABLY SINCE 1973, ALMOST DOUBLING IN TOTAL. PRINCIPAL AND INTEREST PAYMENTS ARE NOW 20 PERCENT OF EXPORT EARNINGS ON THE AVERAGE, WITH SOME NATIONS IN EVEN WORSE CONDITION. IT IS TRUE THOUGH, THAT A FAIRLY SMALL NUMBER OF COUNTRIES ACCOUNT FOR MOST OF THE PRIVATE MARKET BORROWING. THESE COUNTRIES HAVE RELATIVELY PRODUCTIVE AND DIVERSIFIED ECONOMIES AND THEY HAVE THE ECONOMIC POTENTIAL TO GENERATE ENOUGH EXPORT EARNINGS TO LIMITED OFFICIAL USE

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SERVICE THEIR DEBT.

THE SERIOUS DISCUSSIONS WE HAVE UNDERTAKEN IN CIEC AND OTHER DECISIONS TAKEN EARLIER AT THE UN 7TH SPECIAL SESSION AND THE IMF MEETINGS IN JAMAICA CLEARLY UNDERLINE THE SERIOUSNESS OF THE U.S. COMMITMENT TO DEAL COOPERATIVELY AND PRAGMATICALLY WITH THE PROBLEMS OF THE DEVELOPING WORLD.

WE HOPE THROUGH THE CIEC FORUM TO PROVIDE IMPETUS TO ACTION IN OTHER MULTILATERAL FORA ALSO. WE ARE MAKING PROGRESS TOWARD A CONVERGENCE OF OPINION ON THE VITAL ISSUE OF ENERGY PRICE AND SUPPLY.

THE UNITED STATES WILL CONTINUE TO PARTICIPATE ACTIVELY AND CONSTRUCTIVELY IN THE CIEC, WHERE SUCCESS OR FAILURE WILL DEPEND LARGELY ON WHETHER OR NOT OTHER PARTICIPANTS WORK TOWARD A FAVORABLE CONCLUSION IN THE SAME SPIRIT.
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